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Livestock and Products

Livestock Annual

2005

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Report Highlights:
Mexico continued to relax its import restrictions on U.S. bovine products during 2005 and beef imports are expected to climb to 350,000 tons in 2006, up from 2005, but still below pre-BSE levels. The Secretariat of Agriculture also approved the importation of bulls for breeding under certain conditions. Mexico's cattle exports are expected to remain strong during 2006 as exportable supplies of calves are good and grazing conditions have benefited from favorable weather conditions. Production and imports of pork are forecast to increase in 2006, as are imports of live hogs.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Mexico [MX1]
[MX]

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SECTION I. SITUATION AND OUTLOOK

Executive Summary

Mexico's 2006 exports of live cattle are forecast at 1.3 million head, marginally lower than the 2005 estimate of 1.45 million head. Despite heavy exports over the past few years, herd size and replacement supplies appear to be strong in exporting states. 2005 weather conditions have been favorable and grazing conditions and forage supplies are expected to be good heading into 2006. There is some concern in Mexico that the resumption of U.S. imports of Canadian slaughter cattle could hurt premiums for Mexican cattle. While pork slaughter is forecast unchanged for 2006 at 14.5 million head, meat production is expected to increase as the share of hogs slaughtered in federally inspected plants increases and the industry continues to adopt modern animal husbandry practices.

Mexico continues to relax its restrictions on beef imports following the detection of Bovine Spongiform Encephalopathy (BSE) in the United States in 2003 and imports of beef are forecast to reach 350,000 MT during 2006, up 30,000 MT from 2005, but still below pre-BSE levels. At the writing of this report, it is unclear when the Government of Mexico might further open its market to U.S. bovine products following the implementation of USDA's minimal risk rule in July. Pork imports are forecast to increase slightly to 500,000 tons in 2006 as demand from the food processing and retail sectors remains strong.

SECTION II. STATISTICAL TABLES

PS&D, Animal Numbers, Cattle (1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	CATTLE					
	2004		2005		2006	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2004		01/2005		01/2006	
Total Cattle Beg. Stocks	19524	28437	17709	27572		26897
Dairy Cows Beg. Stocks	2200	2200	2200	2200		2200
Beef Cows Beg. Stocks	11350	11350	11500	11500		11700
Production (Calf Crop)	8942	7300	9350	7500		7800
Intra EC Imports	0	0	0	0		0
Other Imports	68	68	75	75		85
TOTAL Imports	68	68	75	75		85
TOTAL SUPPLY	28534	35805	27134	35147		34782
Intra EC Exports	0	0	0	0		0
Other Exports	1375	1375	1450	1450		1300
TOTAL Exports	1375	1375	1450	1450		1300
Cow Slaughter	1600	1600	1500	1700		1700
Calf Slaughter	1545	1545	1500	1500		1500
Other Slaughter	5930	3105	5500	3100		3300
Total Slaughter	9075	6250	8500	6300		6500
Loss	375	608	350	500		500
Ending Inventories	17709	27572	16834	26897		26482
TOTAL DISTRIBUTION	28534	35805	27134	35147		34782

PS&D, Meat, Beef and Veal (1000 Head) (K Metric Tons)

PSD Table						
Country:	Mexico		Conversion factor for CWE 1.37			
Commodity:	Cattle, MEAT, BEEF and VEAL					
	2004		2005		2006	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2004		01/2005		01/2006	
Slaughter (Reference)	9075	6250	8500	6300		6500
Beginning Stocks	0	0	0	0		0
Production	2150	2099	2070	2150		2175
Intra EC Imports	0	0	0	0		0
Other Imports	287	287	320	320		350
TOTAL Imports	287	287	320	320		350
TOTAL SUPPLY	2437	2386	2390	2470		2525
Intra EC Exports	0	0	0	0		0
Other Exports	18	7	25	25		30
TOTAL Exports	18	7	25	25		30
Human Dom. Consumption	2399	2359	2345	2425		2475
Other Use, Losses	20	20	20	20		20
TOTAL Dom. Consumption	2417	2366	2370	2450		2505
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	2437	2386	2390	2470		2525

PS&D Animal Numbers, Swine, (1000 Head)

PSD Table						
Country:	Mexico					
Commodity:	Swine					
	2004		2005		2006	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2004		01/2005		01/2006	
TOTAL Beginning Stocks	10668	10668	10303	10303		10038
Sow Beginning Stocks	930	930	940	940		950
Production (Pig Crop)	15350	15350	15450	15450		15500
Intra EC Imports	0	0	0	0		0
Other Imports	190	190	200	200		225
TOTAL Imports	190	190	200	200		225
TOTAL SUPPLY	26208	26208	25953	25953		25763
Intra EC Exports	0	0	0	0		0
Other Exports	0	0	0	0		0
TOTAL Exports	0	0	0	0		0
Sow Slaughter	15	15	15	15		15
OTHER SLAUGHTER	14500	14500	14500	14500		14500
Total Slaughter	14515	14515	14515	14515		14515
Loss	1390	1390	1400	1400		1000
Ending Inventories	10303	10303	10038	10038		10248
TOTAL DISTRIBUTION	26208	26208	25953	25953		25763

PS&D, Meat, Swine (1000 Head) (K metric Tons)

PSD Table						
Country:	Mexico		Conversion factor for CWE 1.37			
Commodity:	Swine, MEAT					
	2004		2005		2006	
	Old	New	Old	New	Old	New
Calendar Year Begin	01/2004		01/2005		01/2006	
Slaughter (Reference)	14515	14515	14515	14515		14515
Beginning Stocks	0	0	0	0		0
Production	1150	1150	1175	1175		1200
Intra EC Imports	0	0	0	0		0
Other Imports	458	458	495	495		500
TOTAL Imports	458	458	495	495		500
TOTAL SUPPLY	1608	1608	1670	1670		1700
Intra EC Exports	0	0	0	0		0
Other Exports	52	52	55	55		65
TOTAL Exports	52	52	55	55		65
Human Dom. Consumption	1556	1556	1615	1615		1635
Other Use, Losses	0	0	0	0		0
TOTAL Dom. Consumption	1515	1515	1615	1615		1635
Ending Stocks	0	0	0	0		0
TOTAL DISTRIBUTION	1608	1608	1670	1670		1700

Trade Matrix

Animal Numbers, CATTLE			Units: Head		
Exports to:	2004	2005*	Imports from:	2004	2005*
U.S.	1,373,314	610,010	U.S.	3,665	0
Aruba	1,199		Other		
			Australia	29,573	2,698
			Nicaragua	28,444	20,165
			New Zealand	6,094	22,718
			Canada	0	0
Total of other	1,199	0	Total of other	64,111	45,581
Other not listed	224	0	Other not listed	0	0
Grand Total	1,374,737	610,010	Grand Total	67,776	45,654

Meat, Beef & Veal			Units: Metric Tons		
Exports to:	2004	2005*	Imports from:	2004	2005*
U.S.	5,408	3,028	U.S.	117,520	58,362
Other			Other		
So. Korea	0	19	New Zealand	6,452	2,713
Japan	16	504	Canada	75,123	21,084
Chile	0	0	Australia	3,016	978
			Chile	3,763	5,817
			Nicaragua	1,239	488
			Panama	1,007	329
			Costa Rica	1,389	1,049
Total of other	16	523	Total of other	91,989	32,458
Other not listed	0	0	Other not listed	215	440
Grand Total	5,424	3,551	Grand Total	209,725	91,260

Animal Numbers, SWINE			Units: Head		
Exports to:	2004	2005*	Imports from:	2004	2005*
U.S.	1	0	U.S.	180,137	60,141
Other			Other		
			Canada	9,030	10,873
Total of other	0	0	Total of other	9,030	10,873
Other not listed	0	0	Other not listed	700	0
Grand Total	1	0	Grand Total	189,867	71,014

Meat, Swine			Units: Metric Tons		
Exports to:	2004	2005*	Imports from:	2004	2005*
U.S.	35,318	4,342	U.S.	283,940	101,504
Other			Other		
Japan	1,213	12,594	Canada	42,567	10,222
Canada	566	66	Chile	7,462	2,700
Taiwan	92	0			
Total of other	1,871	12,660	Total of other	50,029	12,922
Other not listed	78	1,207	Other not listed	249	36
Grand Total	37,267	18,144	Grand Total	334,218	114,462

Source: Global Trade Information Services, Inc. “World Trade Atlas” Mexico Edition
Figures for meat are in product weight equivalent (PWE)
* As of May 31, 2005

Cattle Exports by State 2004
(Head)

State	Cattle
Chihuahua	391,590
Sonora	265,885
Tamaulipas	231,595
Durango	180,863
Veracruz	102,200
Coahuila	76,318
Others	64,953
Nuevo Leon	47,330
Aguascalientes	14,003
Total	1,374,737

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

Grass Fed Live Steer Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2004	2005	% Change
January	0.739	0.867	17.32
February	0.702	0.865	23.21
March	0.735	0.856	16.46
April	0.721	0.852	18.17
May	0.709	0.848	19.61
June	0.734	0.846	15.25
July	0.744	0.826	11.02
August	0.734	N/A	N/A
September	0.803	N/A	N/A
October	0.857	N/A	N/A
November	0.856	N/A	N/A
December	0.868	N/A	N/A

Source: National Market Information Service (SNIM)
Note: 1/ N/A not available

Beef Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2004	2005	% Change
January	1.11	1.26	13.51
February	1.12	1.28	14.28
March	1.11	1.27	14.41
April	1.09	1.27	16.51
May	1.06	1.28	20.75
June	1.08	1.28	18.52
July	1.09	1.27	16.51
August	1.15	N/A	N/A
September	1.23	N/A	N/A
October	1.26	N/A	N/A
November	1.26	N/A	N/A
December	1.28	N/A	N/A

Source: National Market Information S N/A ervice (SNIM)
Note: 1/ N/A not available

Finished Live Hog Wholesale Prices in Mexico City
(US$/Lb.)

Month	2004	2005	% Change
January	0.598	0.712	19.06
February	0.600	0.710	18.33
March	0.607	0.691	13.83
April	0.596	0.636	6.71
May	0.655	0.603	(8.62)
June	0.731	0.580	(20.65)
July	0.740	0.633	(14.45)
August	0.742	N/A	N/A
September	0.753	N/A	N/A
October	0.725	N/A	N/A
November	0.688	N/A	N/A
December	0.708	N/A	N/A

Source: National Market Information Service (SNIM)
Note: 1/ N/A not available

Pork Carcass Average Wholesale Prices in Mexico City
(US$/Lb.)

Month	2004	2005	% Change
January	0.934	0.948	1.49
February	0.906	0.954	5.29
March	0.866	0.938	8.31
April	0.846	0.928	9.69
May	0.925	0.928	0.32
June	0.998	0.897	(10.12)
July	1.018	0.909	(10.70)
August	1.018	N/A	N/A
September	1.058	N/A	N/A
October	1.018	N/A	N/A
November	0.998	N/A	N/A
December	0.998	N/A	N/A

Source: National Market Information Service (SNIM)
Note: 1/ N/A not available

Cattle Slaughtered in Federally Inspected Type (TIF) Slaughterhouses

Total	2003	2004	% Change
	1,270,911	1,535,565	20.8

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

Cattle Slaughtered in Municipal Slaughterhouses

Total	2003	2004	% Change
	3,066,503	2,830,388	(7.7)

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

Cattle Slaughtered In-Situ Slaughtering Facilities

Total	2003	2004	% Change
	1,858,892	1,871,123	0.6

NOTE: In-Situ slaughter is calculated at 30 percent of total slaughter

Total Cattle Slaughtered in Mexico

Total	2003	2004	% Change
	6,196,306	6,237,076	0.6

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

Hogs Slaughtered in Federal Inspected Type (TIF) Slaughterhouses

Total	2003	2004	% Change
	4,957,223	4,507,045	(9.9)

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

Hogs Slaughtered Municipal Slaughterhouses

Total	2003	2004	% Change
	5,056,354	4,623,993	(9.4)

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

Hogs Slaughtered In-Situ Slaughtering Facilities

Total	2003	2004	% Change
	4,501,000	5,383,962	19.6

NOTE: In-Situ slaughter is calculated at 30 percent of total slaughter

Total Hogs Slaughtered in Mexico

Total	2003	2004	% Change
	14,514,577	14,515,000	0

SOURCE: Confederacion Nacional Ganadera (CNG) with data from SAGARPA

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

NOTE: This report significantly increases Mexico's cattle inventories from previous Office of Agricultural Affairs (OAA) estimates. The change stems from an effort to harmonize the respective 2004, 2005 and 2006 estimates and forecast with the official estimates of cattle inventory the government has established through 2003.

In addition to harmonizing cattle inventories with Government of Mexico (GOM) estimates, OAA established guidelines for estimating cattle slaughter. Mexican cattle are slaughtered under three different conditions; federally inspected (TIF) slaughter plants, municipal slaughter plants, and in situ. While there are no official estimates of total slaughter, the GOM does publish estimates of cattle slaughtered in TIF and municipal slaughter plants. In situ slaughter is then assumed to equate to 30 percent of total slaughter (a widely accepted rule of thumb in Mexico), which when combined with the official estimates of TIF and municipal slaughter, provides an estimate of total slaughter. Application of this methodology resulted in a reduction in slaughter estimates, and by extension, calf crop estimates. There are no official estimates of annual calf production.

Cattle/Beef

While overall cattle numbers are expected to decline marginally in 2006, beef cow numbers, calf production, and slaughter are all expected to increase. After a delayed start to the summer rainy season, major cattle producing regions have enjoyed good rains in 2005 and forage supplies and grazing conditions are expected to be quite good heading into 2006, alleviating several years of dry conditions in northern Mexico. Mexican cattle continue to fetch good prices in the United States and cattlemen in the north, despite heavy exports to the United States over the past two years, appear to have worked to maintain viable populations of cows and herd replacements. Relatively strong domestic prices have also helped to buoy the industry over the past 18 months.

In an effort to maintain USDA Tuberculosis (TB) export status for certain states, the Government of Mexico agreed to impose new measures for the control of cattle that are exported and moved within states in Mexico. These new measures are expected to add to the cost of production in Mexico, but industry observers seem to agree that the greater scrutiny will ultimately accelerate efforts to control TB. TB status is particularly important for states that supply large numbers of cattle to the United States.

Grain finishing of cattle in Mexico is gradually expanding as producers seek to increase the quality and value of their products and to meet expected demand for grain-fed beef in Japan and niches in the domestic market. However, the practice is still relatively limited given the higher costs associated with utilizing imported grains and oilseeds. Additionally, many Mexican consumers are not accustomed to grain fed beef.

Production Areas

Of all agricultural products in Mexico, cattle are produced over the widest range of states and climatic regions. Cattle occupy 110 million ha or 60 percent of Mexico's total land area. Varied production conditions have led to regionally segmented cattle production and marketing practices; thereby complicating the imposition of national standards, grades, and disease control programs. Only an estimated 35 percent of meat is produced from cattle fed in feedlots; the balance is produced from cattle that are grazed throughout their lives. Cattle are produced in four main regions.

1. Arid and Semi-Arid: Comprised of the states of Baja California, Baja California Sur, Sonora, Chihuahua, Coahuila, Nuevo Leon, Durango, Zacatecas, and San Louis Potosi. This area is considered the most technologically advanced of all the production areas. Production systems include cow-calf and feedlots. The average operation has 140 cows and cattle are typically of European breeds that are better suited for American feedlots. This area supplies the majority of the weaned calves that are exported to the United States, where calves are typically backgrounded on winter small grains before moving to U.S. feedlots. The U.S. market typically pays a premium over the Mexican market for these cattle.

2. Temperate: Comprised of the states of Aguascalientes, Guanajuato, Hidalgo, Jalisco, Mexico, Morelos, Puebla, Queretaro, and Tlaxcala. Cattle in this region are primarily European breeds. Production practices include cow-calf and small feedlots, typically for consumption in the domestic market, especially Mexico City.

3. Dry Tropical: Comprised of Colima, Guerrero, Michoacan, Nayarit, Oaxaca, Sinaloa, and Tamaulipas. This is considered the least efficient of the producing areas. Crossing of Cebu cattle with dairy breeds is common and many cattle are dual purpose, providing milk during the rainy season. Cattle are nearly all consumed in the domestic market. However, a significant number of cattle are exported from Tamaulipas.

4. Humid Tropical: Comprised of Campeche, Chiapas, Quintana Roo, Veracruz, Tabasco, and Yucatan. This area contains the largest share of Mexico's cattle population and is characterized by an abundant supply of pasture and forages, much of which have relatively low nutritional value. Cattle are mainly Cebu or Cebu crosses with dual-purpose breeds like Simmental. Only Veracruz, which has the highest cattle population of any Mexican state, is a major source of export cattle. Weaned calves from this area are often sent to feedlots in the temperate and dry tropical zones for feeding and finishing or fed out on pasture in this region, a process that can take up to three years.

Higher slaughter and good feeding conditions are expected to push beef production higher in 2005 and 2006. Domestic beef production faces competition from imports as well as cheaper domestic pork and poultry, all of which serve to temper demand-driven growth in production. Nevertheless, Mexican beef production has managed to grow slowly but steadily in recent years. Preliminary statistics indicate that slaughter in federally inspected (TIF) plants increased significantly in 2004, a possible sign that the prospects of exports in Asian markets as well as quality demands from the food processing and rapidly modernizing supermarket sectors are causing producers to send more cattle to TIF plants. Industry observers are hopeful that this trend will continue. The 2004 production estimate reflects official data.

A significant feature of Mexico's cattle slaughter industry is how few cattle are slaughtered in TIF Plants. The current SAGARPA listing of plants indicates that there are 42 plants approved for the slaughter of cattle. These plants have an estimated annual installed slaughter capacity of 3.0 million head. However, during CY 2003, these plants slaughtered 1.3 million head of cattle, compared to the 2000-2002 average of 1.1 million head. The higher cost of slaughter in TIF plants, 30-50 percent higher than in municipal slaughter plants, is the primary reason for capacity underutilization. Under the "Support for Slaughter in TIF Plant Program." SAGARPA pays subsidies of pesos 110 (USD $10.0) per head to offset the higher cost of slaughter in TIF plants and improve plant usage.

Mexico has an estimated 1,500 municipal slaughter plants, which are located in every state with the exception of the Federal District (Mexico City). Local municipalities and the Secretariat of Health (SSA) are responsible for regulating these plants. Municipal plants slaughtered an estimated 3.0 million cattle in CY 2003, more than twice the number slaughtered in TIF plants. Output is geared primarily for sale in communities near the plants.

The practice of in situ slaughter is common in Mexico. While it is difficult to accurately quantify this practice, official sources consistently estimate that about 30 percent of Mexican meat production takes place under in-situ conditions. The size and quality of cattle slaughtered are generally thought to be significantly less than in case of TIF or municipal plant slaughter.

Swine/Pork

Overall hog numbers and slaughter have remained relatively stable in recent years, a trend that is expected to continue in 2006. Underlying this trend has been a shift in the composition of slaughter from hogs supplied by the informal sector to those supplied by larger and more technically advanced producers as the trend to towards more modern production practices continues. Lower costs of production relative to the informal sector, better profitability, and strong prices during 2004 and 2005 are helping to encourage investment and consolidation in the pork sector. Official estimates indicate that the share of in situ or informal slaughter has dropped from 36 percent to just under 30 percent of slaughter in recent years. Consequently, while slaughter numbers and inventories are forecast flat in 2006, the share of hogs that are being produced and slaughtered under more modern conditions is growing and meat production is expected to rise.

Official estimates indicate that slaughter in federally inspected plants (TIF) jumped to a record 4.8 million head in 2004, compared to 4.7 million and 4.0 million in 2003 and 2002 respectively. It appears that this trend, which is expected to continue, is being driven by Mexico's growing supermarket and meat processing sectors, which require better quality, more uniformity, and consistency in their meat products. TIF plants are in a better position to provide such products than Mexico's municipal and in situ slaughter operations, which combined still account for a significant portion of hog slaughter. A subsidy of 50 pesos (USD $5.0) per head for hogs slaughtered in TIF plants is also helping to direct hogs to these plants and away from municipal and in situ slaughter plants or situations.

Mexican producers enjoyed very good prices over the past 18 months while U.S. prices were high. Cost of production among more technically advanced producers ranged between pesos 12.5 and pesos 14.0 per kg (USD $0.54 – 0.58 per pound) during 2004 according to official sources, well below estimated farm prices, which averaged pesos 15.71 (USD $0.68 per pound) during 2004. 2004 production costs among less technically advanced producers were between pesos 17.5 and 20 (USD $0.73 – 0.83 cents per pound), below the average farm price. As long as grain and soybean prices do not increase significantly from current levels, production costs should remain at the low end of the aforementioned ranges during 2005 and 2006. Nevertheless, with more technically advanced producers enjoying such an advantage in production costs, production consolidation among larger producers is expected to continue. Current USDA forecasts point to lower hog prices during the balance of 2005 and 2006 which, if reflected in the Mexican market through imports from the United States, could erode profits. However, current U.S. price forecasts are still relatively robust compared to the cost of production in Mexico and strong and growing demand from the domestic market is expected to help support domestic production growth.

Consumption

Cattle/Beef

Beef's higher cost tends to limit consumption to middle and higher income consumers along with the tourism, hotel, and restaurant sectors where imported meats are well received. Imported meats are carried widely by supermarkets accustomed to the quality and ease of handling associated with imported beef. Nevertheless, industry sources indicate that supermarkets and other buyers accustomed to dealing with imported beef are likely to try and maintain closer ties with domestic suppliers after Mexico closed its borders to U.S. beef for a short period in 2004 following the detection of BSE. Continued economic growth, growth in the tourism industry, and an expected increase in domestic beef production are all likely to push beef consumption higher in 2006. Modifications to 2004 and 2005 consumption estimates reflect changes in production estimates.

Swine/Pork

Pork consumption continues to increase. Consumption of processed meats (such as sausages, and hams) is growing faster than consumption of fresh and frozen pork cuts. However, cuts still comprise the largest segment of pork consumption. Looking at carcass prices, pork is about 20 percent cheaper than beef, but is double the cost of chicken. Chicken consumption has grown at almost four times the rate of pork consumption over the past 10 years and pork consumption also faces competition from imported turkey in the meat processing sector. Nevertheless, per capita meat consumption is relatively low in Mexico when compared to Canada and the United States and the potential for growth among all meat types as incomes rise is considerable.

Trade

Cattle/Beef

Mexico took steps to open its market to certain low risk bovine products in March of 2004, and has since taken steps to expand the list of beef products that can be imported from the United States. See MX5062 for a list of bovine products that are currently approved for import. In March of 2005, the Secretariat of Agriculture, along with USDA and the Canadian Food Inspection Agency signed a trilateral agreement that established a basis for further harmonization of standards relating to trade in bovine products in North America. The provisions of the agreement were very similar to those established in USDA's recently (July 2005) implemented minimum risk rule. As of the writing of this report, it is unclear when Mexico will harmonize with the provisions contained in the trilateral agreement.

With the continued easing of BSE restrictions on U.S. beef exports during CY 2005, Mexican imports of U.S. beef for CY 2005 are expected to reach 320,000 metric tons, still well below pre-BSE levels. Differing applications of certain quality tolerances caused a number of U.S. plants to curb their exports to Mexico during the first part of CY 2005, but the recent harmonization of the application of certain quality standards between Mexico, Canada, and the United States has enabled a number of U.S. meat plants to resume exporting. Imports for CY 2006 are forecast to increase to 350,000 metric tons given the continued growth in the tourism and retail sectors.

Imports of live cattle are forecast to increase in 2006. Imports are comprised of limited imports of slaughter cattle that are expected to come from Central American countries as well as imports of dairy cattle from Australia and New Zealand. Restrictions against imports of live cattle from the United States and Canada due to BSE concerns, allowed Australia, Nicaragua, New Zealand and others to export 68,000 head of cattle to Mexico during CY 2004. Mexico recently approved the importation of breeding bulls from the United States and is working with USDA to establish certification requirements.

CY 2006 cattle exports are forecast moderately lower, however, much will depend on the level of the premiums offered by U.S. importers for Mexican feeder calves. The resumption of imports of Canadian slaughter cattle into the United States could erode the premiums (relative to the Mexican market) Mexican exporters have enjoyed of late. However, given Mexico's transportation advantage into southern U.S. feeding areas and the expectation that Mexican exporters will continue to ship as long as there is an economic advantage in doing so, exports are expected to be strong in 2006. At this stage it appears that heavy exports during 2004 and 2005 have not eroded herds or the availability of replacements in producing areas that are geared to supplying export cattle. One reason may relate to the Secretariat of Agriculture's PROGAN subsidy program that provides funding for herd improvements, but requires producers to meet certain herd composition and animal health benchmarks in order to qualify for funding.

Durango, a major cattle exporting state, lost its USDA TB accreditation during 2005 and is currently not permitted to export cattle to the United States until further review. It is anticipated that the loss of Durango will have little effect on overall cattle exports, as other states are expected to make up the difference while Durango cattle find a home in the domestic market.

Mexican beef exporters are hopeful that the recently completed free trade agreement with Japan will lead to new export opportunities. Mexico is planning to ship 80 metric tons per month to Japan during CY 2005. Small amounts of Mexican beef are finding a home in Korea and exporters are hoping to increase exports to the United States by supplying cuts and products that are familiar to consumers of Mexican origin living in the United States.

Swine/Pork

Imports of live hogs are forecast to reach 225,000 head in CY 2006 as processors seek to augment domestic hog slaughter to meet the growing demand for pork. Pork meat imports for CY 2006 are forecast slightly upward at 500,000 MT (CWE), driven in large part by demand from the supermarket and processing sectors for high quality inputs, cuts, and products. Domestically produced sausages, processed foods, and lunch meats containing imported ingredients, as well as imported sausages and pork products, continue to gain market niches in Mexico, particularly among middle and upper-income consumers. 2005 pork import are expected to pick up in the second half of the year as imports increase for the holiday season.

CY 2006 exports of pork meat are forecast to increase to 65,000 MT (CWE), mostly to Japan. Note that these exports are often re-exported via the United States and are often counted as exports to the United States in official data. While animal health concerns and relatively high prices have limited Mexican pork export opportunities to the United States, exporters have established a niche in Japan. As a result of a recent trade agreement with Japan, Mexican pork exporters will enjoy tariff-rate quota access in Japan as follows:

Year	TRQ/Metric Tons (CWE)
2005-2006	52,060
2006-2007	52,998
2007-2008	89,050
2008-2009	101,380
2009-2010	109,600

Mexican producers and animal health officials are seeking to have additional areas declared free of Classical Swine Fever (CSF) by USDA. Currently, the states of Sonora, Quintana Roo, Campeche, Baja California, Baja California Sur, Chihuahua, Sinaloa, and Yucatan have been declared low risk or free of CSF by USDA. Regionalization requests are also under review by USDA officials for the states of Nayarit, Coahuila, Nuevo Leon, Tamaulipas, and Durango.

Policy

Cattle/Beef

See trade section for additional details.

Mexico has taken significant steps to re-open its market to bovine products following the discovery of a single case of BSE in Washington State on December 24, 2003. A listing of approved products can be found in MX5062.

The Government of Mexico continues to impose dumping duties on imports of certain beef products. However, a NAFTA dispute panel determined that Mexico was not able to demonstrate that all beef meat imports from the United States were damaging the domestic industry. As a result the Secretariat of Economy modified some of the dumping tariffs and provisions (see MX4078). At the request of the Mexican association of feedlot owners, the Government of Mexico is conducting a sunset review of the beef dumping duties (See MX5037).

Mexico's Secretariat of Health will implement two new regulations governing the meat industry. The regulations will expand the Secretariat's role in the regulation of the meat industry. Of particular concern is a standard of "absent" for the presence of Salmonella in raw meat (See MX5073).

Under the PROGAN support program, the Secretariat of Agriculture provides funding for herd and genetic improvements, provided that cattle producers meet certain criteria relating animal health standards, management practices, and herd composition.

Swine/Pork

There are a limited number of programs designed to support pork producers under the Secretariat of Agriculture's "Alliance With You" program that provide limited subsidies for activities related to herd and genetic improvements. Producers have to meet certain standards relating to herd health and herd composition in order to participate. One overriding objective among pork producers seems to be to find a way to help small and medium-sized producers reach viable scales of production, possibly by establishing production contracts with larger pork processors and slaughterhouses. To date, the GOM has yet to establish specific funding or support programs to aid smaller hog producers.

Officials at Mexico's Secretariat of Economy have been conducting an investigation of U.S. pork legs for approximately 18 months. It is still not clear when the results of this investigation will be published.

Marketing

Cattle/Beef

Although beef imports are expected to increase in CY 2006, they are expected to be less than the imports registered before BSE was detected in the United States. Marketing efforts should focus on products that can be imported, while maintaining contact with users of prohibited products for when the full range of bovine products resumes. Efforts should also focus on the quality and safety of U.S. beef. Opportunities exist in the dairy and beef industry for the sale of U.S. genetics and breeding stock. Dairy producers in particular have been hurt by the ban on cattle imports and are planning to source dairy cattle as soon as the ban is lifted. In the meantime, SAGARPA has authorized the import of breeding bulls under a confinement program and the bulls will be used for supplying semen to the dairy industry in the initial stage of this program.

Swine/Pork

There are good marketing opportunities for U.S. pork among producers of cold cuts and supermarkets catering to middle and upper income consumers. Educational seminars through supermarket chains, restaurants, and hotels appear to be an effective way to increase the awareness of the advantages of the wide variety of U.S. pork cuts.

U.S. livestock, beef and pork exporters, new to the Mexican market, are also encouraged to contact the following trade organizations for further market information.

TRADE ORGANIZATIONS
THE U.S. AGRICULTURAL TRADE OFFICE (ATO) BRUCE ZANIN, DIRECTOR JAIME BALMES NO. 8 - 2ND. FLOOR 11510 MEXICO, D.F. PH. (525) 280-5291/5276; FAX. (525) 281-6093
U.S. MEAT EXPORT FEDERATION (USMEF) JAIME BALMES NO. 8 – 2ND. FLOOR 11510 MEXICO D.F. PH. (525) 5281-6100; FAX (525) 5281-6013 GILBERTO LOZANO, DIRECTOR
CONFEDERACION NACIONAL DE ORGANIZACIONES GANADERAS (CNOG) MARIANO ESCOBEDO NO. 714 COL. ANZURES MEXICO, D.F. 11590 PH. (525) 5254-3245; FAX (525) 5254-2574 OSWALDO CHAZARO, PRESIDENT
CONSEJO NACIONAL DE PORCICULTORES (CMP) JUAN DE LA BARRERA NO. 38 COL. CONDESA 06140 MEXICO, D.F. PH. (525) 5212-1290, FAX. (525) 5211-1379 ENRIQUE DOMINGUEZ, GENERAL DIRECTOR